PUBLIC ENTITY PARTNERS
BOARD OF DIRECTORS
MINUTES OF SPECIAL CALLED MEETING
DATE OF MEETING: February 18, 2022
10:00am

The Board of Directors of Public Entity Partners ("PE Partners") met at 10:00am on February 18, 2022, at PE Partners' offices in Franklin, Tennessee.

Board Members Present: Chairman Curtis Hayes, Vice Chairman Randy Brundige, Dr. Christa Martin, Mayor John Holden, Mayor Lois Preece, Mayor Mike Werner, Todd Smith, Commissioner Sam Tharpe, Victor Lay and Mayor Ken Moore.

PE Partners Staff Present: Michael Fann, President/CEO; Amanda Shrum, CFO; Halie Gallik, Board Secretary; George Dalton, Vice President of Risk Services; Celeste Taylor, Director of Human Resources; Embry Nichols, Vice President of Underwriting and Internal Services; Callie Westerfield, Director of Member Services; Anthony Ponessa, Director of Information Technology, Chester Darden, Assistant Director of Loss Control

Also Present: Russ Farrar, Farrar & Bates; Ross V. Smith, Farrar & Bates; Jim Morrison, Public Risk Services; Anthony Haynes, Executive Director, TML; Wade Morrell, Tennessee Municipal Bond Fund

Chairman Hayes called the meeting to

Roll Call – All board members present.

I. APPROVAL OF MINUTES

a. Board Meeting of December 15, 2021

Chairman Hayes – Item number one, approval of minutes for the meeting December 15, 2021.

Motion to approve the minutes from the December 15, 2021, meeting of the board of directors made by Victor Lay, seconded by Mayor Randy Brundige. All for the motion, let it be known by saying aye. PASSED UNANIMOUSLY.

b. Board Meeting of January 26, 2022

Chairman Hayes – Item b. approval of the board minutes for the meeting January 26, 2022.

Motion to approve the minutes from January 26, 2022, meeting of the board of directors made by Dr. Martin, seconded by Mayor Preece. All for the motion, let it be known by saying aye. PASSED UNANIMOUSLY.

II. INVESTMENTS ANNUAL REVIEW

Chairman Hayes – Investments annual review via Zoom we have Mr. Bill Emmett from Callan & Associates.

Amanda Shrum – You have your booklet. What he will be going over is in the green bound booklet.

Chairman Hayes – Thank you.

Bill Emmett – Thanks very much for accommodating my being here remotely. You might be wondering why I am up here at all. For those of you that remember Cody Chapman, who has served this relationship for quite some time, Cody has moved on to an Asset Manager in the fall. We were very sorry to see him go. Absolutely wish him the best.

Thank you again for having us. I am going to be working from the Executive Summary, which should be a document that you all have in front of you. And, if it is all right, I might skip ahead to page two. Actually, first let us talk a little bit about markets in general, broadly speaking. I guess the question I would almost want to ask is do we want to talk about the fun markets in fourth quarter, or do we want to talk about the less fun markets for first quarter. They are, in fact, the same market. We did enjoy strong returns across the board for equities, almost all risk assets throughout 2021. As we got into the fourth quarter, we had some ups and downs. If you remember, October was a really good month. November was bad, when we all thought that Omicron was going to be the worst thing in the world, and we were all going to get locked up again. Then, somehow in December, we decided it was all ok. So, the market continued to tick upward. Fixed Income markets have been tricky, because what we have been seeing is the inflation question has been the big one. The Fed has been signaling for quite some time that they were going to begin tapering first and then actively increasing short-term rates second. All of this activity, plus the $4 trillion or so that got printed and shoved into the market through 2021 and late 2020 is, to some degree, coming to fruition. If you think about almost all fixed income markets across the board, the big question is, can the Fed manage through this? Can they keep inflation tamped down without causing a recession? Historically speaking, the answer to that has been no. The Fed typically tapers late. A recession is triggered, the curve inverts and we all have to wait for everything to work its way out. Certainly, fixed income markets in the first part of 2022 have shown that, to some degree. If you looked at Munis, which is very impactful for you all given what is held in the portfolio, it was an outstanding year. A huge amount of money, somewhere around $72 billion, came into the muni markets for the first nine months of 2021. With very little indication there would be any slowdown. The big story has been infrastructure/infrastructure spending. Some Munis have been in place where really good investment returns could be generated.

In the first part of the year, it is reversed to a degree. If you look at the overall Muni market judged by the Bloomberg Muni index, it is down about 3.56%. Taxable Munis are down by about 4.6%. For the early part of the year, the only place to be that was any degree of safety has been short governments. Not surprising there. So, you have seen a big sell off in credits across the board as well. Particularly in, and somewhat surprisingly in, A's and BBB's. Even those that have underperformed, even worse quality credits.

The market's been a bit all over the place. Again, the last two years have been really, really strong. 2021 was an excellent equity market overall, and, generally, good for risk and bond markets. Spreads and things like that tightened throughout the year. There were pretty good consistent returns, but we got into a space where spreads were very, very tight. Again, a lot of those returns have been sort of wrung out.

If we look at page two of the Executive Summary shows the asset pool as of the end of the year. A little bit north of $310 million. The vast majority of that in the actual Fixed Income portfolio, with the remainder in Cash and Equivalents. The piece that you are probably most interested in is the following page three. A look at the returns for the portfolio so the composite return 1.08%, which does not strike you as an overly compelling return when you look at some of the prior years, and particularly the annualized periods, that you see here. But when you look at it relative to other opportunities in the Fixed Income space that were of a similar quality, it is a very good return. So, the Bloomberg/Barclays Aggregate Index, which is just kind of a mix of mortgages and credits and treasuries, was down -1.54% for the year. This is only, maybe, one of two or three negative annual period returns for the Bloomberg Aggregate Index. In a tough Fixed Income market, your portfolio held up very nicely. Just generating a positive return was a big move.

If we skip ahead to the Annual Period Return, they fluctuated quite a bit. 2020 and 2019 I think you all got fairly accustomed to some very, very strong returns overall. This is on page four, 8.45% in 2020 and 10.89% in 2019. I think given where we are today, kind of a go forward basis, we are expecting the Muni curve to steepen a bit. You all have a longer duration Muni portfolio, so I think you can expect to have, without some repositioning, probably some experience alongside what that would look like, with a steepening Muni curve.

If you look on page six, trailing returns versus the peer group, things like that. I think the other notable thing here is looking at a broad group of your peer space, the return for this portfolio has been very consistent. You are looking at top third or top quartile, depending on which annualized period you look at. And it is generated a really strong return in the Fixed Income space. That has been somewhat hard to come by. And, again, a very consistent return.

I will stop here and see if there are any questions that anyone has. It is a good story for 2021. The portfolio did very well. Returned relatively well versus the various benchmarks against which it is judged. Hopefully, it was serving the needs of the pool alongside as well.

Chairman Hayes – Any questions from the PEP Board Members thus far? No questions, carry on.

Bill Emmet – OK. Maybe the last page that I'll look at here is page eight. It is how this portfolio was positioned as of the end of the year. You can see versus the agency index, which is not a perfect proxy, but you can see the longer duration that I mentioned on this portfolio. Looking at it you have a bigger duration slug in that 7–10-year period. And then going out to >10 years that is going to imply a greater sensitivity to changes in rates. Then what you have also got is from a quality perspective, not at all a low-quality portfolio, but a significant amount of portfolio that is weighted in AA's and A's. There just are not a lot of AAA's issuers in the Muni space any longer. From a quality

perspective, much, much better than what has been in other parts of the market. And what we have seen, in particular, for credits, the BBB's and, to some extent, even BBs performed really, really well. So, the market was willing to overlook a lot of the credit risk in issuers to pick up that additional yield. I think that is going to end up being a little bit of a dangerous play as we get into 2022.

That is the report. Happy to entertain any questions about markets overall, or this portfolio. I know that you all have a busy agenda, and I am trying to keep myself to ten minutes or so.

Chairman Hayes – Any questions? I think you have done a really good job going through this. Everything you were saying was music to my ears, I do not know about the other members, but it was a good financial report in my eyes. Mr. Emmet, you are more than welcome to stay for the remainder of the meeting, or you can be dismissed.

Bill Emmet – Thank you, I think I will stick around for a while, but I will just mute myself and turn off the camera. Thank you.

III. FINANCIAL REPORTS

Chairman Hayes –I will hand over to Michael Fann.

a. Financial Statements – September 30, 2021

Michael Fann - I will just introduce it, then Amanda will take over. You are going to see under Tab 3, we are providing the first quarter financials as a matter of information. You will remember in December; we did not have those ready for you. So, they are provided as a matter of information under both a. Financial Statements – September 30, 2021, and c. Q1 Budget to Actual. So mostly we are going to be looking at December 31 under Tab 3. Amanda, all yours…

b. Financial Statements – December 31, 2021

Amanda Shrum – For December 31, 2021, if you will look at the Statement of Revenue and Expenses and change in net position.

As of 12/31, we had Net Earned Premiums of $33.9 million, which are up $549,000 from this time last year.

Our investment income of $5.2 million, is down $2.5 million from last year's $7.7 million. The decline is not necessarily in the coupon interest, but it is a reduction of our realized gains because, as you know, the last few years we have been really able to take some gains on some of our investments and we do not have those to take this year. So, we have seen a reduction in overall investment income.

For two months you will notice that we have the rental income for the lease of the first-floor space, which is a new item from last year.

Other income of $126,000 is up from $5,800 last year. That is due to the reinstatement of the installment fees and finance fees that we did not charge the previous year. It was a waiver of those due to COVID for our members for that year.

Total revenues come to $39.2 million which is down $1.9 million from this time last year.

If you look in the Losses and Loss Adjustment Expense, as we have talked about our actuarial review, we show takedowns last year in our Net Reserves, therefore, our ultimate losses for each year were revised, specifically in workers' compensation. Therefore, although we are seeing an increase from this time last year of $1 million in paid claims, our IBNR and ULAE are notably down from this time last year due to those percentages that we were using to reserve.

Total Loss and Loss Adjustment Expense is $26.5 million, which is down from $31.1 million last year.

The Policy Acquisition Costs total $4.4 million compared to $4 million last year. The major factors in this are the rate study, our property appraisal fees went up about $70,000 from last year, and there was an increase in agent commissions of $155,000.

Our total G&A have increased $345,000 from last year; however, we are still 20% under budget at this time – as of 12/31.

Total Expenses were $35.6 million leaving an Operating Income of $3.6 million.

However, at 12/31, our change in Fair Values decreased $3.4 million, leaving us with a Change in Net Position of $161,000.

If you have any questions on Statement of Revenue and Expenses, if not, we will turn to the Statement of Net Position.

As of 12/31 you will see that our Total Assets have increased from 12/31 last year by approximately $1.1 million.

One item of note here is the Prepaid Reinsurance and due to a recommendation from our reinsurance brokers, we have extended our property coverage out to October. So, $2 million of that prepaid overage is because we have paid that already through October instead of July this year.

If you look down at the Total Liabilities, it shows $180.2 million, which is down from $194 million from the previous year. The major factor of this is the Net Reserve for Losses and Loss Adjustments.

Our change in Net Position of $161,000 through 12/31, we report an Ending Net Position of $161 million.

Are there any questions on that part?

c. Q1 Budget to Actual
d. Q2 Budget to Actual

If you will turn over two pages, you will see the G&A Budget to Actual for September and then you will see the Budget to Actual for December. And, as I said, we are about 20% under budget for the year.

Questions there?

e. Investment Report – January 31, 2022

If not, we will go over to Investment Report, and this will go through January 31st. In our portfolio we have 137 securities, 93% of those are municipal bonds, with a book value of $286.4 million and a fair value of $280.9 million showing an unrealized loss, as of January 31st, of $5.5 million. If you look at what our unrealized losses were as of yesterday, we are at $11.9 million. We have seen a big drop during the first part of this year in our market values. We do tend to think we are going to see a shift in that by the end of the year, but that is where we are right now.

As of January 31st, the average coupon is 3.34% with a current average yield of 3.3%.

As of the end of January, we are actually still $855,000 in realized gains. We will see if we still have that at the end of the year. We are having a really hard time, as Bill said, the market values have started dropping. But the $11.9 million is back up from $13 million we had two days ago. It is starting to tick back up a little bit.

Chairman Hayes – Any questions for Ms. Shrum on any of these reports that she went over the – Financial Statements September 30, 2021; Financial Statements December 31, 2021; Quarter one Budget to Actual; Quarter two Budget to Actual; and the Investment Report? Any questions? If not, I will entertain a motion to approve the Financial Reports.

Motion to approve Financial Reports made by Todd Smith, seconded by Victor Lay. Roll Call vote was taken. PASSED UNANIMOUSLY.

IV. RATES AND COVERAGES – FY2023

RATES

Chairman Hayes – Michael Fann and Ms. Nichols.

Michael Fann – Thank you, Mr. Chairman. Under Tab 4, you will find these two items. As a matter of introduction, we did an extensive rate study this year. All of our leadership team participated, but especially thanks to Amanda and Embry for riding herd on looking at our numbers. We have met since we got the actuarial report as a leadership team three or four times and had many other conversations. We are extremely pleased for the year July 1, 2022, through June 30, 2023, to make a couple of recommendations on changes. You will see under Tab 4; we are recommending a 9.5% reduction in Workers' Compensation. This will not be a flat 9.5%, it will be based on job classification. It will depend upon each entity's job class makeup as to where it could be. Some may get more than that, but on average across our job classifications under comp we are recommending a 9.5% reduction and that is on the heels of last year's 9.1% and as we have had many discussions in this room, it's been our desire to get our workers' compensation rates more in line with where they need to be. This is our fourth year in a row of reductions. And we are very excited about that.

We are recommending no change in property based upon the study. Then in liability we are recommending a 6% reduction in GL. No change, or flat, in errors and omissions. Law enforcement, I guess it goes without saying, we are recommending a 7.5% increase. And then no change in the two auto coverages. Yielding the one increase and the one decrease will yield, ultimately, no change overall in combined liability. Obviously, for those entities that do not have a police department, they will see a reduction. But if they have a police department, it pretty much will end up flat.

So, those are our two recommendations. What the three changes that we are recommending are the 9.5% decrease in workers' compensation, 6% decrease in general liability, and then the increase of 7.5% in law enforcement yields a combined reduction of all three major pools of 3.7%.

Mr. Chairman, I present that as a recommendation from staff for your discussion.

Chairman Hayes – Thank you, Michael. With what all is involved, I am glad to see that workers' compensation has come down. What all goes into seeing how a reduction works? Is it because of the claims that are being amassed or what?

Michael Fann – They will look at, and Amanda you may want to speak to this, when they do the rate study, they look at our history and the trends, not only that we have established, but that are going on in the marketplace. And they bring back a range of expected losses for the next year, and, of course, we are basing it on expected premiums. And we were inside the range of their recommendation, but we were on the high end, but we really wanted to get our workers' compensation rates where they need to be.

Chairman Hayes – And they take a look at this nationally, correct?

Michael Fann – They do. They are specifically looking at our…

Chairman Hayes – Different markets across the country.

Michael Fann – Right.

Chairman Hayes – Any questions?

Todd Smith – Just a statement. I want to compliment, Michael, you, and the staff on three things. You cannot recommend these rates and these reductions without doing some things right. One is looking after the financials. We just saw how strong this organization is and you cannot propose this reduction without strong financials. Number two, due in large part to your training program, going out to communities and doing on-site training and then doing corporate training with all of us gets us in the mind-set of reducing safety issues and reducing liabilities. And number three you have a customer service mindset, as your members, as your customers, you are looking after our best interests in proposing these reduced rates. I just want to compliment you and the staff for making this proposal. I think it is tremendous.

Chairman Hayes – I agree. I will entertain a motion for the approval of rates and coverages for the fiscal year 2022-2023. Do I hear a motion?

Commissioner Tharpe made a motion to approve the Rate Changes for FY 2022-2023, seconded by Mayor Moore. Roll Call Vote was taken. PASSED UNANIMOUSLY.

COVERAGES

Michael Fann – Before you move on, Mr. Chairman, there is a second page behind Tab 4. The second thing we do in conjunction with this process of looking at rates, is then also look at our coverage document. So, the leadership team spent many meetings looking at this, making recommendations, and talking about issues. We do not have a lot there, but I am going to ask Embry if she will talk about a couple of recommended changes.

Embry Nichols – Sure, thank you, Michael. For your consideration, we wanted to make these recommendations to change the coverage forms if you will turn to the next page. There's only a couple.

We have had a cancellation provision in all three of our lines of coverage for many years that's ten days for non-payment of premium. There is a statute as respects auto liability in Tennessee that allows 20 days for non-payment of premium. So, just to be in line and to be fair to the members, we propose making our cancellation 20 days for non-payment of premium across all three lines.

And then, under our dispute resolution conditions, we would like to make a change so that we, PE Partners, can institute arbitration. That is so that we do not have to, if we are at odds the only thing we can do right now is deny a claim. We would like to institute arbitration to come to some fair resolution for the member instead of just denying the claim and then forcing the member to do that. We thought that would be positive.

And then, the second part of that, is we would like to impose two-time criteria when arbitration is instituted. We would like a 30-day timeline for the first arbitrators, the selection of those, and a subsequent 30-day timeline for the second arbitrators. That way it does not drag on forever and we have had a couple of those that went on and on and on. We should be able to identify the parties, then we can move on expeditiously.

So, those were the things we are asking you to consider.

Chairman Hayes – I will accept a motion to approve the Coverage Recommendations as Ms. Embry Nichols has explained.

Mayor Moore made a motion to accept the coverage recommendations as outlined, seconded by Mayor Brundige.

Mayor Holden - As far as arbitration, do you have a list of folks that you will deal with?

Embry Nichols – We do have a list.

Mayor Holden – The reason for the second arbitration is, if it moves forward, can the city choose who they want or from your list?

Embry Nichols – No, they choose who they want.

Michael Fann and Embry Nichols – And they both choose the third.

Mayor Holden – What is the criteria for the city to choose?

Michael Fann – I do not think we have...

Russ Farrar – They can choose anybody they want. Sorry to interrupt, but I do most of the ones for the pool and what we do is the city's arbitrator and the pool's arbitrator gets together and then pick a third person as the arbitrator. So, if you want me to be perfectly straight with you, the job that I have as the arbitrator for PEP is to convince that neutral arbitrator that we should win the arbitration. That is what it amounts to.

Chairman Hayes – I think this is important because there have been times in the last five or six years that there has been claims that have been declined and some of the members feel sometimes feel like they have no say or not being heard. I am proud to see these recommendations.

Russ Farrar – Jim Morrison and I have talked about this at length. And what this does from a political standpoint, as well as a legal standpoint, by letting us not have to file a dec action on coverage, then the decision that comes out of arbitration panel does not carry the political negativity that one strictly from PEP would carry.

Chairman Hayes – That is right.

Russ Farrar - It would be a big help to us.

Mayor Holden – And are you allowing any claim, any denial to be arbitrated? No matter the value of it?

Michael Fann – Yes.

Russ Farrar – Yes.

Chairman Hayes – I like it.

Jim Morrison – And each party is actually represented by counsel. So, you have counsel that is making the presentation to the ultimate three-panel arbitrators.

Russ Farrar – They argue it just like we are in court.

Jim Morrison – Just like they do in court.

Russ Farrar – And then what happens after both sides have argued, and if they presented briefs, interrogatories, whatever… they discuss that. Then the three arbitrators will meet to come up with a decision. This is how it works.

Chairman Hayes - Any other questions? We have a motion and a second on the floor. Any other discussion?

Roll Call vote was taken. PASSED UNANIMOUSLY.

V. DIVIDEND DECLARATION

Chairman Hayes – Item number 5 Dividend Declaration, Mr. Michael Fann.

Michael Fann – Thank you, Mr. Chairman. Under Tab 5 you will find our recommendation for this next fiscal year's dividend. You'll remember that in our current year that we declared a $7.5 million dividend. After examining where we were, once we got our audited financials done, we, again, came up with a range. We talked about that, snarled over it, and we finally came to a consensus among the leadership team that we are able to recommend this year an $8 million dividend which will be $500,000 more than last year to be distributed among the workers' comp, liability, and property pools. It is not in your handout, but I think, essentially, we discussed applying $4 million of that for workers' comp, $3 million of that for liability, and $1 million to property.

Mr. Chairman, from your leadership team, we recommend an $8 million dividend for the fiscal year 2022-23.

Chairman Hayes – I just want to say wow. That as a member of Public Entity Partners, and one of the small cities in the state of Tennessee, thank you to everyone who has worked on this.

Halie, in the last five years PEP will have given back how much to our members? Amanda? OK, a lot of money. Caught you off guard. I know it was $7.5 million last year.

Michael Fann - $21 million the year before.

Amanda Shrum – And the year before that I want to say it was around $7 million. It has been quite a bit.

Michael Fann – So, in the last four to five years it has been over $40 million.

Chairman Hayes – That is right, over $40 million. I do not know of anybody that does that. I have not gotten a dividend check from my personal insurance for that kind of money. Nor will I ever. I hope this will reflect in the newsletter as it goes out to the members that in the last five years we have given back "x" amount of dollars.

Michael Fann – Mr. Chairman, if I could, I would like to piggyback on something that Todd said earlier. We do not want to take credit for that. We want to give credit for that to our members. We do these rate studies, we do these reserve studies, we have constant examination of our financials, and when our members outperform what the actuaries thought they were going to do, we are able to give that money back. Thank you for the compliments, all of you. But we really want to credit our members and their risk management programs for making this happen.

Chairman Hayes – I think there is some tools that Public Entity Partners deserves credit for in the various departments. Trainings, DVD Library, Symposium, and others that are contributing factors to cities making good, sound decisions. Thank you.

We have a dividend recommendation of $8 million. I do not think anybody is going to vote against it.

Motion to approve $8 million dividend for FY 2022-23 made by Dr. Christa Martin, seconded by Todd Smith. Roll Call vote was taken. PASSED UNANIMOUSLY.

VI. BY-LAW REVISION

Chairman Hayes – By-Law Revision item. I am going to turn this over to our general counsel.

Russ Farrar – What I wanted to do; I am going to try to keep this really brief because we have discussed this. What we have done, basically, there are seven major points. And if you have any questions, we can go into detail.

Number One: We are resetting every term to start on September 1, 2022. That will be the reset for everyone.

Michael Fann – For all eight of the current directors.

Russ Farrar – Yes.

Number Two: We have put into place into the by-laws an insurance of diversity of representation to make sure we have a minority member, at least one, on the board.

Number Three: As Ross discussed with you last time, we are opening the nominations up where those members of PEP that we insure that work with us they can submit nominations. And, in order to address the problem that one of you brought up last time about what if one city tried to… What if you had four city council members and a mayor all trying to nominate somebody. We have fixed that where it is the mayor, the city managers, and the city administrators. So, there will only be one person from that entity that can do a nomination. That will speak for that entity. So, that cleared up that problem.

Number Four: We have established term limits. Two (2) three-year terms will be all you can serve will be all you can serve without having to be off the board for at least one three-year period. Which basically means, you have to be off one entire term of three years before you are eligible to come back on the board.

Number Five: As we talked about last time, we have removed references to the terms of the staff officers that were in here that had to have under contract, had to have board approval. It is always operated… it puts the by-laws in conjunction with reality with the president can appoint who he wants to into these other positions.

Number Six: The way we have done… I know all of you have received the table that was put together on how we were doing the terms. But it clarifies that table, and it is put in the new by-laws. We just need to fill in the names in the table. It makes changes clarifying the longest serving vice president may perform the duties of the president if the president is unable, unwilling to act. In other words, if, God forbid, something was to happen to Michael, it is going to ensure a continuity just like the vice president takes

the president's place if the president cannot act. This would give it to the longest serving vice president to step up and keep things moving until the board can meet.

Chairman Hayes – And in this case that would be…

Michael Fann – That would be George Dalton.

Chairman Hayes – Right.

Russ Farrar – And I am glad we got that on record.

Victor Lay – Can I ask you a question about that?

Russ Farrar – I will try to answer.

Victor Lay– Can you give me an example of unwilling to act?

Russ Farrar – It is one of these deals where you try to cover everything, even things that are not happening. Let us just assume that, for example, that Michael gets in a car wreck. He is cognizant and all that, but he has got some damage and you try to take him a contract. He says "no, I'm not going to sign this." This just covers everything to make sure that every possibility is covered. In other words, we cover the possibility in case we have a contract that must be renewed that time is going to run on us and we need to get that done. That is why we put unwilling in there. And that was in there the last time, too.

Victor Lay – Is there a caveat to that? Here is an extreme example: You, for whatever reason, are in your right mind, really felt like that was not the right thing to do. And you were not willing to do it.

Michael Fann – But this board wanted it done.

Victor Lay – But this board wants it done.

Russ Farrar – That is why it is there.

Victor Lay – So, it would be the board directing the vice president, not the vice president automatically…

Russ Farrar – No, no, no. It is not written that way. They have to do it in accordance with what the board wants.

Michael Fann – The first phrase says: "With the approval from the board of directors…"

Russ Farrar – I am sorry I did not mention that. I apologize.

Chairman Hayes – I asked all these questions when we went over that. So, you and I are on the same page. That may be scary.

Russ Farrar – Number Seven: This is a bit of housekeeping. It removes the references to Assistant Secretaries, Treasurer and Assistant Treasurer to the Board. Those offices are gone. We do not have them; they do not exist. It just takes them out of the by-laws where they are unnecessary.

That is it. That is what we have come up with the changes. This is what the by-laws you were sent and the by-laws you have in your board packet, and I believe you have, Halie, if I am not mistaken, both a red-line and a clean copy of the by-laws that I have enunciated to you.

Michael Fann – Correct.

Russ Farrar – These are all changes that the Comptroller asked us to do.

Chairman Hayes – That is right.

Commissioner Tharpe – Is there anything else that the Comptroller asked us to do that is outside these changes here?

Chairman Hayes – I think if there is, we are going to have another meeting with them soon, but this right here…

Russ Farrar – March 23rd

Chairman Hayes – This right here, is a great, great start. Where we need to be.

Commissioner Tharpe – Do you think he is going to feel comfortable with what is proposed?

Chairman Hayes – Well, this is his proposal.

Russ Farrar – We have done all that, Ross was with us too, we have done about everything all four of us understood needed to be done and we were all on the same page. Everybody in that meeting had plenty of input into these by-laws before they were sent out to you on the board. We have tried our very best. I think we have done what the Comptroller made pretty clear to us.

Commissioner Tharpe made a motion that we approve what has been presented. Seconded by Dr. Christa Martin.

Dr. Martin – I have a question. I just wanted to ask Michael Fann, after having gone through all of this as an organization we will still be able to function at the highest level for our members with these changes.

Michael Fann – Absolutely. And with abundant transparency, with the whole organization, it really puts us in a very good position.

Russ Farrar – I think it puts us, for what my opinion is worth, I have been general counsel for over ten years. During my experience, this adds a degree of transparency that has never been seen by this board during the fifteen to twenty years that I have been both dealing with the board and the thirty years I have been handling pool cases

and lawsuits. I think this is a huge step towards transparency that this board has never had before.

Michael Fann – It removes many questions that were asked in the past. And it establishes us on a firm foundation.

Russ Farrar – And gives us great ground rules to play by. We know exactly what we have to do.

Chairman Hayes – Absolutely. Mayor Moore did you have a question?

Mayor Moore – My only question had to do with the treasurer. Is that like some organizations, the treasurer never handles the money? It is always somebody else who does?

Russ Farrar – We do not have a treasurer. The Chief Financial Officer, basically, is the treasurer.

Mayor Moore – OK. Thank you.

Chairman Hayes – We have a motion and a second on the floor. Any further questions? Seeing no further questions, Ms. Halie, roll call vote, please.

Roll Call vote was taken. PASSED UNANIMOUSLY.

Chairman Hayes – I just want to make sure that the record reflects how good it has been working the last several months, even several years with our general counsel, Russ and Ross and Ms. Berexa, Kristen. As well as with Michael Fann. As chair for the last year or so with previous administrations, Russ is right, things that we have approved, transparency is best. And when someone steps on this board, they hopefully will not have to learn from trial and error, like I did several years ago. They should come in and have the things presented to them, we will do orientation and be ready to make sound decisions from day one. So, I just wanted to say that. Thank you, guys.

VII. CONTRACTS

a. ORIGAMI CONTRACT

Chairman Hayes – Item seven, Origami Contract?

Michael Fann – Yes, Mr. Chairman, thank you. These next two or three elements deal with contracts that are either currently being negotiated or certainly will be either engaged or renewed before you meet again. I guess is a good way to start the conversation. We, as a leadership team, have been looking at our contracts policy. Working in conjunction with Russ and Ross and our general counsel's office, making sure we are on a sound footing as it relates to engaging financial obligations.

We have been working on this policy, and we had hoped we would have it ready to present at this meeting. It is not. We're still running down rabbit holes. As you know, for every action there are consequences and other things that you have to consider. We are close. We hope to present a contracts policy to you, beyond what this board has already done, a more formalized process to make sure we are reviewing things correctly and not obligating this organization beyond what we are supposed to.

We are going to take up three little sections here.

The Origami contract, you may remember, is a program and an effort we have been engaged in for the last two and a half to three years. It is up for renewal and our practice is that any contractual obligation more than $50,000, we are to bring to the board. This one is one of our bigger ones. You'll see in the documentation behind Tab 7, that it's going to be in the neighborhood… We are in final negotiations, but it is going to be in the neighborhood of $400,000 a year with a contract term, just like the expiring one, is a three-year term. So, obviously, we want to make sure that the board is aware that we are going to continue with our claims management system, with the Origami project that we have been engaged in for the last few years, and simply ask that you authorize final negotiations and a renewal of our Origami contract. This keeps up with all of our claims, all of our payments, everything that Jim and his team do from a claims management perspective is contained in that software system. Mr. Chairman, I ask you to approve and authorize to engage this renewal.

Chairman Hayes – Alright. You have heard our CEO, Michael Fann. Let's entertain a motion to approve this contract.

Todd Smith – Mr. Chairman, just one quick question. Do we need to authorize Michael a not to exceed amount? Authorize you to negotiate the contract with a not to exceed amount, I guess is my question.

Michael Fann – That would be fine. It's going to be in the low $400's. The number you will see under Tab 7 was a preliminary number of $392,000. It's going to be a little more than that. Just short of $410,000. Embry, does that sound right? $420,000. OK. We're going to be somewhere in that neighborhood and a lot of it is going to depend upon the support hours we're going to contract for them to assist us with programming and those sorts of things and reporting. But if you wanted to put a max on it, that is fine. It's going to be just short of $420,000 we're prety sure at this point. We are in the final stages.

Todd Smith – And not that I do not trust you to negotiate the best deal.

Michael Fann – No, I understand.

Todd Smith – Putting some sort of cap…

Russ Farrar – He is going through the steps too. Legal will have to approve the contract.

Michael Fann – Each of these three recommendations, this is the first of three that I am getting ready to make. They are all pending legal review. I will not sign anything until…

But if you want to put a $425,000 or whatever that would be fine. We're pretty certain…

Russ Farrar – He needs a little bit of breathing room.

Todd Smith - Yes. Yes. That is fine. I do not have any problem. It gives us accountability as a board to say you do not get a blank check.

Dr. Martin – Is that your motion?

Todd Smith – That would be my motion for $430,000.

Michael Fann – Not to exceed $430,000?

Chairman Hayes – Motion made by Todd Smith to approve Michael Fann pursuing the Origami contract with a cap of $430,000 per year, seconded by Sam Tharpe. Any discussion?

Commissioner Tharpe – Let me say the value of this is very important. What these folks do, this could shut us down. We need to make sure those things are taken care of. To me, the value of this is very important to PEP.

Michael Fann – If I could say, the Origami program, literally, is the Cadillac in our industry right now. We have certainly had our hiccups and challenges, but it is one of the best products that's on the market so I'm delighted to recommend this to you again.

Chairman Hayes – We have a motion and a second on the floor. Any more discussion? Roll call vote, Ms. Halie.

Roll Call vote was taken. PASSED UNANIMOUSLY.

b. DATA DIMENSION (Previously known as WorkCompEDI, Inc) CONTRACT

Michael Fann – We have a couple of more contracts to review if I could. Under Tab 8 we have two more items, again, relating back to contracts that we have identified that we will need to engage before your next meeting. So, again, Mr. Chairman, to avoid the need for the board to meet in special session, I will first present this Data Dimension, which is a new contract that arises largely out of regulatory requirements under workers' comp. As you see, the value of the contract is estimated year one initial estimate cost along with implementation at roughly $25,000 and year two and three, as it will be a three-year contract, at roughly $15,000 per year, but that would take us over the $50,000 threshold. So, we wanted to, again, ask for our board, to authorize us to engage this contract before June.

You will see under the summary we are talking about electronic bill payment of medical bills. This is something that Public Entity Partners, along with Jim's staff, have to do for the Bureau of Workers' Compensation.

Chairman Hayes – I will take a motion.

Victor Lay made a motion to approve Michael Fann pursuing the Data Dimension contract, seconded by Mayor Preece. Roll Call vote was taken. PASSED UNANIMOUSLY.

c. RENEWING CONTRACTS/AGREEMENTS Q4

Michael Fann – Behind the Data Dimensions information you are going to see a two-page list of five different contracts that are all renewals. The first one is our Audit Services we do each year through LBMC. This contract is approved by the Comptroller's office.

Then, our PricewaterhouseCoopers with our actuarial services, our reserve study, and we are also doing a capital adequacy study that we have not done since 2019. That's roughly $100,000 combined contract for those services.

Our corporate insurance, through Martin & Zerfoss is there and will be expiring at $61,000. We are anticipating the… Oh, and the E&O policy we carry on the organization was $82,000. We are anticipating it to be closer to $100,000.

Then our Microsoft Office 365 licenses estimated at roughly $75,000 over the next three years.

And, of course, each year, we bring a reinsurance report to you on July 1. We'll have a new workers' comp and liability policy as we are ending a two-year contract with Safety National through Arthur J. Gallagher. The current being a little under $2.7 million. That is expiring and we will need to renew something by July 1. We are currently in negotiations with reinsurers on these, but in all likelihood, before you meet in June, we will need to bind some of these things.

So, we wanted to bring these five, if my counter is counting correctly, these five renewals we are already under contract with, asking for authorization to renew those in the coming months.

Chairman Hayes – Ok, so you have heard our CEO. We need a motion to…

Michael Fann – And these, excuse me Mr. Chairman, each of these renewals will not take place until they go through legal. That's one of the elements of our new contract policy that everything goes through legal before we sign.

Chairman Hayes – So, the renewal of the contracts audit services LBMC, PWC, Corporate Insurance, Microsoft, and Reinsurance – Gallagher / Safety National. I need a motion to approve these.

Vice Chairman Brundige made a motion to approve the five contracts to be negotiated and approved, seconded by Mayor Holden.

Chairman Hayes – Any discussion? Motion by Mayor Brundige second by Mayor Holden. Roll call vote, please.

Roll Call vote was taken. PASSED UNANIMOUSLY.

VIII. DATE OF NEXT MEETING

Chairman Hayes – Michael, do you want to talk about the calendar of events before we move on?

Michael Fann – I do. That's actually under Tab 9, we have the calendar of events. I will also point out under Tab 10 we have our semi-annual departmental reports. I just bring that to your attention for your entertainment for you to see what all of our departments have been up to. As was requested a couple of years ago by this board, we provide semi-annual reports from our departments to the board of activity and productivity and so forth. Just want to point those out. The written reports are being provided here. Then in September, we will again provide written reports and oral reports from each of our department heads. I wanted to point out the appendix under Tab 10.

The Calendar of Events. We've got our next two suggested dates of meetings – Friday, June 17th here at our office would be that next meeting.

I think you have all received the couple of communications from me regarding the NLC-RISC Trustees Conference. I know Jackie has already secured a block of rooms for those of you who have indicated that you would like to go. As soon as you can make that as official as you can make it, I know schedules tend to change, we will get rooms booked. We will get registrations to the National League of Cities. And prepare for the NLC-RISC Trustees Conference in Pittsburgh in May. Two of our own are going to be making presentations. Embry is going to be on a panel talking about all kinds of interesting stuff and then Embry and Halie are going to be presenting a session on the impact of the construction inflation and other things that are affecting valuations on your property coverage. How that affects pools, how that affects public entities. This should be a great session. So, we are looking forward to seeing them show out their rock star abilities.

Our Symposium that many of you attended this past year. The dates are listed there for you, let us see, August 24 – 26th. We are at the Marriott again here in Cool Springs. Mr. Chairman, as a matter of information.

Chairman Hayes – OK, thank you, Michael. Next meeting will be Friday, June 17th right here at PEP. We do not have any matters for Executive Session, so I will entertain a motion to…

Commissioner Tharpe – Before we dismiss, I would like to make a comment regarding how positive, especially with the, and I heard this more than once, the leadership team, which came out of our strategic plan. And I want you all to know that as a board we were present at that and had a lot of input and heard a lot of input from employees and I am really thrilled to see you maintaining that process. To me that's the strength of what this organization is and where it is going is because of the people and you all have good staff, you have good folks working, you have support staff and to have that image of that plan and taking that time to have that plan and for everybody to be on that same page to me is a great compliment. I just want to say thank you because you've made it so much easier for us to digest and I just want to count your blessings and I want to count well. Thank you for what you all have done and what you are doing. Just keep in mind, your work is not done. But, also, keep in mind, the work that you have done is definitely a blessing for TML and the cities in the state of Tennessee. So, thank you.

Just wanted to make that comment, it is very appreciable. I know this board is appreciable of what you have brought to this stage.

Chairman Hayes – Ok, if nothing else, I will entertain a motion to adjourn.

Motion to adjourn made by Commissioner Tharpe, seconded by Victor Lay. PASSED UNANIMOUSLY.

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William Curtis Hayes, Chairman

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Halie Gallik, Secretary